Vostok Nafta Investment Ltd

Nine Months Report

January–September 2011

- **Net result for the period was USD –96.09 million (mln) (January 1, 2010–September 30, 2010: 46.44). Earnings per share were USD –0.95 (0.46). Net result for the quarter was USD –130.42 mln (45.45). Earnings per share for the quarter were USD –1.29 (0.45).**

- **The net asset value of the company was USD 529.26 mln on September 30, 2011 (December 31, 2010: 625.43), corresponding to USD 5.24 (December 31, 2010: 5.66) per share. Given a SEK/USD exchange rate of 6.8575 the values were SEK 3,629.42 mln (December 31, 2010: 4,254.48 mln) and SEK 35.93 (December 31, 2010: 42.12), respectively.**

- **The group's net asset value per share in USD decreased by 15.38% over the period January 1, 2011–September 30, 2011. During the same period the RTS index decreased by 24.24% in USD terms. During the quarter July 1, 2011–September 30, 2011 the group's net asset value per share in USD decreased by 19.80% (RTS index: –29.66%).**

- **The number of outstanding shares at the end of the period was 100,990,975.**

- **The reported net asset value per share of Vostok Nafta as of October 31, 2011 was USD 5.55 (SEK 35.77).**

Management report

Global macro

If we would have stepped off planet earth at the time of our last quarterly and only returned now we could have been excused for wondering why everyone was looking so exhausted. Stock markets more or less flat during the period, the European economy in a bit of a bind but at least the politicians are getting around to dealing with the problems at hand, the US Economy getting a little stronger, Asia cooling off its close to overheated position. Obviously earthlings know very well it has been a wild three months with enormous amounts of fear driving wild swings in global capital markets (World MSCI was down 8.9% in September, only to rally by 10.3% in October). We have had risk on and risk off modes in bursts of schizophrenia.

The decision in late October by the European Union on who will bear what costs of the money that has been lost in social spending and overvalued real estate provides some certainty and is thus risk on. Greece deciding to have a referendum on the austerity programme required by the EU et al to lend them the money needed to avoid default is risk off. Risk on and risk off results in wild swings in times with low liquidity and low conviction on the medium term trend. The size of the Greek debt is not large in global perspective. The worst case scenario for Greece involves a disorderly default though, likely including an exit from the Euro which in itself is unchartered territory and hence a big generator of uncertainty. The relative size of Greece and its debt is limited and the EU seems resolved to recapitalize its banks and provide funding for other members in distress in order to backstop the crisis from spreading. Despite this, the issue is currently proving to be contagious to other larger Euro countries with troubled finances most notably Italy. The market demands that politicians in countries with bad finances put their houses in order to be legible for new funding. Achieving credibility in terms of a turn around of budget deficits and levels of indebtedness takes time. Markets will need the injection of liquidity from the ECB (European Central Bank) in a fashion reminiscent of the quantitate easing of the US Federal Reserve to allow financially troubled countries the time to turn around their situations. All in all, dealing with all this debt will mean the European economies are not going to grow much over the foreseeable future.

And with the US and Europe in a low growth environment for a good number of years to come, the drivers of global demand are, as has been widely discussed, the developing economies – with China at the forefront. China rapidly expanded credit during 2008, producing robust growth for its economy all throughout the financial crisis. This expansion of credit has been contracted over 2011 in a traditional manner. However during the same time the Chinese economy has seen an increasing growth in a shadow (unregulated) banking system, which observers argue has been the main driver of a local property boom which has also driven global demand for commodities. Worried voices are now saying that there is a big property overhang in China and that this will make the important investment part of Chinese GDP growth fall off a cliff, with dramatic consequences for world markets. Unregulated financial markets come with low transparency (as we have all learned the really, really hard way since 2007…) which in the case of China helps to generate a good dose of uncertainty and feeds well into a Chinese hard landing scenario. If this shadow credit is indeed brought down in a destructive fashion and is not replaced by something else, then the growth in Chinese GDP could very well fall. However, even if the absolute numbers of this shadow banking system are huge, in relation to today's size of the Chinese economy and its capital markets they should be manageable to bring under control in an orderly manner. No economy can grow at the pace that we have witnessed in China for ever though, and the property inventory overhang figures highlighted by China bears are real, but realistically a slowing Chinese economy probably means growth at 7% rather than 9%. However, this growth will still drive global GDP for some time to come.

Risk in Europe, risk in China… we'll see how it pans out… But particularly since, even with all the gloom, oil prices have stayed up so robustly – supporting our long-held conviction that high oil prices are a structural supply-demand story – we continue to focus on a Russia that grows and has value.

Russia

Politics

For many observers the Russian election cycle is over with the United Russia nomination of Putin as the party's Presidential candidate. However, on the ground the uncertainty remains. Even though Medvedev is the likely prime minister, there are many seats in his Government as well as in the Presidential Administration that are yet to fill. For many Russian businesses the individuals in these seats provide access to the executive powers through lobbying. The potential volatility within these seats really constitute the actual political risk during Russian elections and arguably also gives rise to capital flight as businesses move assets abroad in fear of that "their" individual, and thus protection, gets booted out and replaced by someone else. The reduction of this risk as the election cycle finally comes to an end in early 2012 will likely reverse the capital flight trend we have witnessed leading up to the elections.

All in all many observers are disappointed in the present situation of Russian politics with Putin returning for a possible 12 year period (two more terms, now each of 6 years after they changed the constitution), fearing that there is no renewed momentum on important reforms such as the judicial system, and therefore assign a very high cost of capital to Russia.

However, there are positives on the post-election horizon beyond the certainty of which individuals and parties will reach power. The main one is the probable Medvedev Government, which is likely to be filled with the same young reformers that surrounded him in the Kremlin. The push for further privatization and capital market reforms as well as perhaps a more serious fight against corruption will likely be on top of the agenda. This could improve the outside world's perception of Russia – and also serve to reverse the implicit high cost of capital in today's low valuations.

Economy

Privatization is perhaps an obvious positive both in bringing budgetary revenues as well as getting private shareholders to replace the State. Many parties may not feel too excited by capital markets reform. Indeed the realisation of the stated ambitions of Moscow rivalling other global capital market hubs as London and New York are many years off, and in terms of the equity market the trend is actually the exact opposite with more and more Russian corporates heading for listings in London. However, the process of making the local bond market clearable in Euroclear is a big step to making this important component of a country's capital market deeper and more liquid – and will have positive effects for Russian corporates and their funding alternatives.

The Russian economy seems to have positioned itself in a steady but in relative terms unimpressive 3.5–4% range growth, with private consumption being the main driver. There is possibly an upside risk to this with the passing of the election cycle driven by a business community returning to an investment mode. An obvious risk is the state of the global economy, as discussed above. A sharp reversal in the price of oil will hit the rouble (floating much more freely today in comparison to 2008) and instil fear in the business community and possibly also amongst private consumers, but as mentioned above this is as yet just an unrealised downside risk. The price of oil (Brent) has generally held up well, even though some volatility has been evident. This volatility, together with the global risk-on and risk-off modes we have witnessed, has in turn produced a high volatility around the rouble. The rouble exchange rate is something that is closely watched by the Russian consumer but has not yet altered their expansive behaviour of late.

Another positive within the Russian economy is the fall of inflation and the resulting positive real interest rates which gives the central bank much more effectiveness in setting monetary policies. Correctly handled this bodes well for the economy going forward.

A big positive for the perception of the Russian economy and its markets is the now likely and imminent entry of Russia into the WTO. After 18 years of negotiations the final hurdles seem to have been overcome setting the stage for an entry in mid-2012. The short term effects on the real economy are not huge but the perception of Russia economically and politically will benefit immensely – in turn driving the risk premium for Russian assets lower.

Portfolio

Our portfolio fell during the quarter. The performance was helped by the revaluation of TCS after a market transaction in that name and the strong performance of Alrosa on the back of the listing of its shares on the Russian exchanges. However our positions in Black Earth Farming and RusForest performed adversely and a short update on these two companies follows below.

The discount to NAV in the market for Vostok Nafta shares has widened considerably during 2011, even though it has been somewhat reduced during the course of this last quarter.

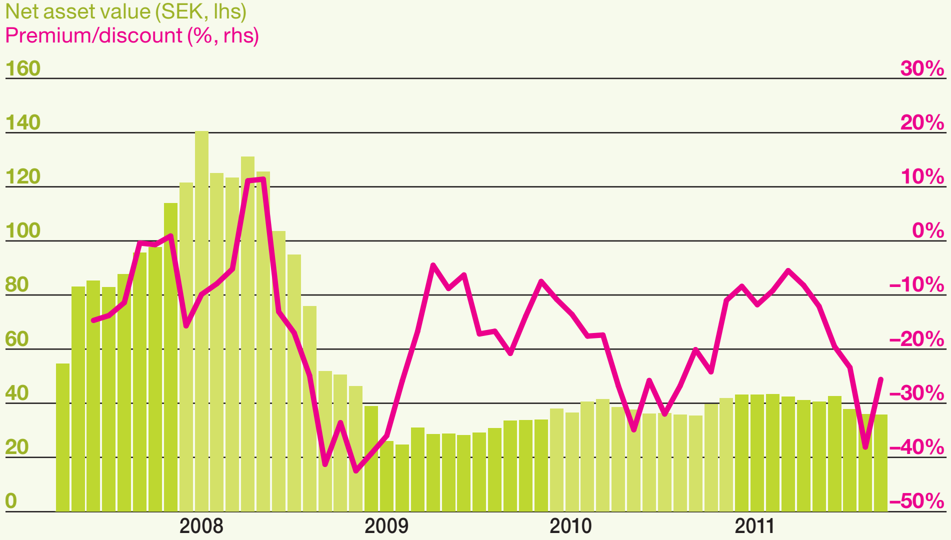
Black Earth Farming

The management of BEF has been completely overhauled over the past quarters. The new CEO, Richard Warburton joined the management team at the beginning of this year and has since recruited a new COO in Fraser Scott. In addition to this the number of production directors has doubled and a proper Sales and Marketing director has been hired. Crucially, the management team brought in a new technical partner which has completed a crop yield audit of the company's land assets. A new CFO will be announced within weeks.

The focus of the company centres around three main points:
1 – crop yield improvement,
2 – price risk management, and
3 – cost reductions.

Of these three points, the second and third are managerially fairly straight forward to carry out. Crop yield improvement is more multi-facetted, but also by far the most important of the three. The crop yields of BEF have been disappointing over the past years, especially in the light of the fact that an increasing part

Vostok Nafta net asset value (NAV) development and premium/discount to Vostok Nafta share price, May 2007–October 2011

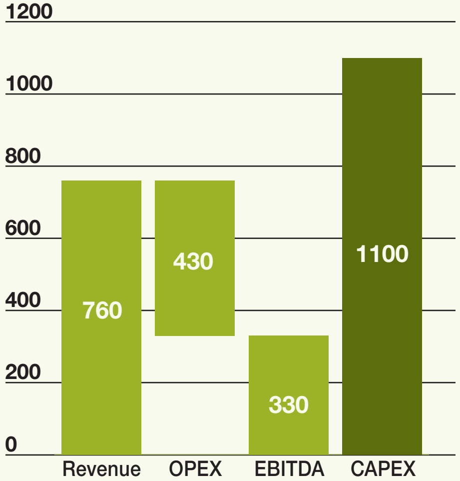


of the land bank has been in production for more than two years since its fallow state. Although the weather has definitely played a role (especially in 2010) the crop yield audit completed this year has identified a number of impediments to growth. The good thing is that the management has set out to remove these restrictions and although it will take a couple of years for a complete fix, results will be visible already for the next crop.

All in all we believe it is fair to expect an improvement of some 25–40% on today's blended yield of some 3 tons per hectare with a revenue of USD 760 per hectare (see graph *Profitability vs. Capex* below), getting us to somewhere north of 4 tons per hectare resulting in a revenue of USD 1,000 per hectare (see graph *Profitability increase* below) in a couple of years. This yield improvement comes as a result of the one off work carried out over the next couple of years, then leaving future operating costs per hectare unchanged – in turn allowing the extra revenue to fall down to profits. Measured against BEF's invested capital per hectare of USD 1100, the return increases from the 30% range to some 50–60%. Assuming a 10% asset return (two to three times higher than in the developed world) as being the fair level, the upside is large. I believe visibility into this will increase materially over the coming 6–12 months – which in turn will allow the market to start putting it into the valuation of the stock.

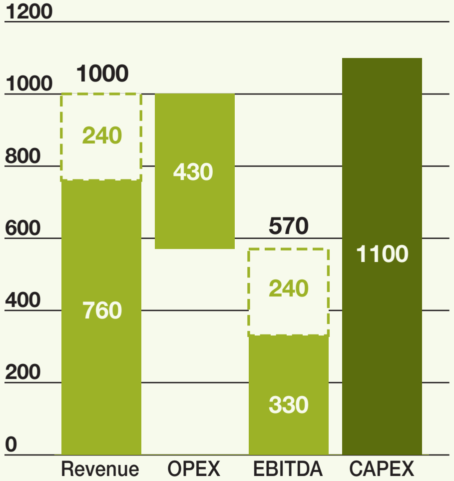
Profitability vs. Capex

USD per hectare



Profitability increase

USD per hectare



RusForest

Although the year so far has progressed in a disappointing fashion for RusForest, the overall investment case is very much intact. Macro developments for sawn wood prices started deteriorating with the Arab spring, and did not improve as the global economic malaise worsened over the summer. In addition to this the company has experienced delays in getting equipment through customs, leading to a postponement of an increase in volumes produced. The management is working hard to get the company's harvesting up to speed, something which not only decreases the cost per cubic meter but also allows it to refrain from buying expensive third party logs on the market. The Magistralny and Bougachany saw mills should come into full production by the turn of the year, making the company profitable in the first quarter of 2012.

The company's focus is to deliver on its current assets of harvesting and sawmilling, but there are also opportunities to capture some of the revenues that go missing in its side products of pulp logs and sawdust. The first step towards a downstream structure in this manner for RusForest has been to acquire a Scandinavian pellets factory, which will now be relocated to be situated next to its LDK-3 saw mill in the port of Arkhangelsk. When up and running this production will service the large European electricity and heating utilities. RusForest has been able to acquire these downstream assets at what should possibly be the bottom of the cycle and will now allow the company to capture a margin on the sawdust which today provides basically no revenue at all.

November 2011,
Per Brilioth

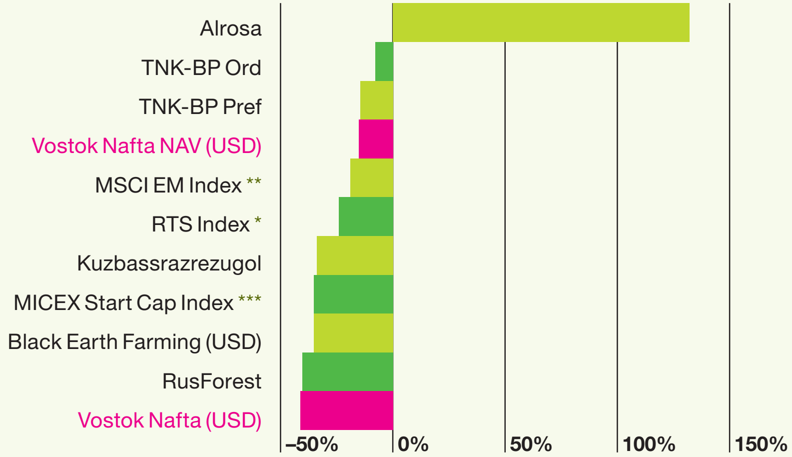
Vostok Nafta's portfolio development

The group's net asset value per share in USD decreased by 15.38% over the period January 1, 2011–September 30, 2011. During the same period the RTS index decreased by 24.24% in USD terms. During the quarter July 1, 2011–September 30, 2011 the group's net asset value per share in USD decreased by 19.80% (RTS index: –29.66%). Vostok Nafta has revalued its equity position in TCS based on a recent transaction.

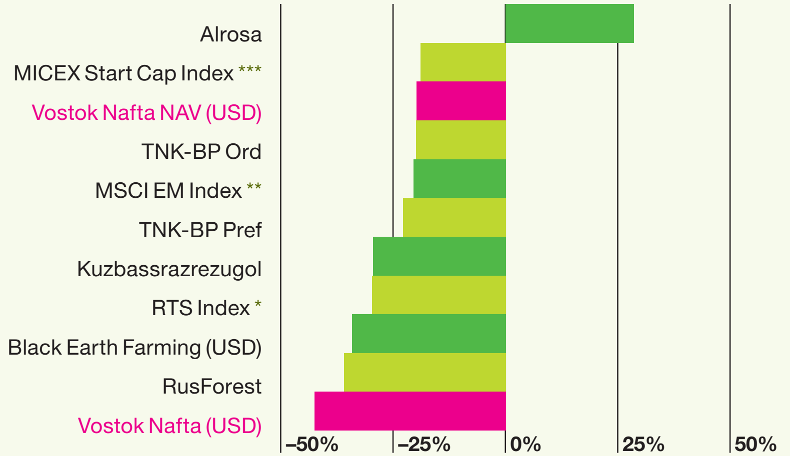
Portfolio structure

The investment portfolio stated at market value as at September 30, 2011 is shown on the following page. Vostok Nafta's three biggest investments are TNK-BP Holding (20.6%), Black Earth Farming (15.5%), and Tinkoff Credit Systems (TCS: 9.5%).

Percent development January 1–September 30, 2011
(last price paid on relevant stock exchange)



Percent development July 1–September 30, 2011
(last price paid on relevant stock exchange)



* The RTS Index (Russian Trading System Index) is a capitalization-weighted index. The index is comprised of stocks traded on the Russian Trading System and uses free-float adjusted shares.

** The MSCI EM Index (Morgan Stanley Capital International Emerging Markets Index) is a free float weighted equity index that consists of indices in 26 emerging economies.

*** The MICEX Start Cap Index is a real-time cap-weighted index of 50 stocks of Russian small cap companies.

Number of shares	Company	Fair value, USD Sep 30, 2011	Percent-age-weight	Value per share, USD Sep 30, 2011	Value per share, USD Dec 31, 2010	
30,888,704	Black Earth Farming	77,925,707	15.5%	2.52	3.90	2
406,156,995	Clean Tech East Holding AB	1,776,848	0.4%	0.004	0.02	2
	Clean Tech East Holding AB, loan	3,796,048	0.8%			3
1,006,513	Egidaco Investment Limited (TCS), equity 5	47,398,508	9.5%	47.09	40.47	1
28,165,209	RusForest AB	31,625,592	6.3%	1.12	1.88	2
	RusForest, Issued call options	–53,627	0.0%			2
50,000	Vosvik AB (Avito and Yellow Pages) 5	39,257,700	7.8%	785.15	390.76	2
	Expansion Capital and Private Equity, Total	**201,726,776**	**40.2%**			
300,000	Acron	10,511,998	2.1%	35.04		
1,765,000	Agrowill	407,942	0.1%	0.23	0.34	1
1,261	Alrosa 6	42,117,400	8.4%	33,400.00	14,400.00	1
3,654	Bekabadcement	657,720	0.1%	180.00	180.00	1
5,364,850	Caspian Services	590,134	0.1%	0.11	0.12	1
272,106	Dakor	2,942,293	0.6%	10.81	10.59	1
300,000	Fortress Minerals	1,314,312	0.3%	4.38	4.26	1
16,434	Gaisky GOK	5,751,900	1.1%	350.00	390.00	1
63,500	Gornozavodsk Cement	17,145,000	3.4%	270.00	250.00	1
11,509,294,872	Inter RAO	11,164,016	2.2%	0.001		1
1,600,000	Kamkabel	80,000	0.0%	0.05	0.10	1
3,500,000	Kuzbass Fuel Company	17,150,000	3.4%	4.90	6.87	1
133,752,681	Kuzbassrazrezugol	34,106,934	6.8%	0.26	0.39	1
2,618,241	Kyrgyzenergo	168,688	0.0%	0.06	0.06	1
85,332	Podolsky Cement	106,580	0.0%	1.25	0.63	1
3,004,498	Poltava GOK	6,574,710	1.3%	2.19	5.23	1
107,822	Priargunsky Ind Ord	10,782,200	2.2%	100.00	229.00	1
11,709	Priargunsky Ind Pref	515,196	0.1%	44.00	109.00	1
1,442,400	Shalkiya Zinc GDR	100,968	0.0%	0.07	0.11	1
13,454,303	Steppe Cement Ltd	6,290,156	1.3%	0.47	0.79	1
623,800	TKS Real Estate	811,107	0.2%	1.30	1.59	1
15,760,237	TNK-BP Holding Ord	38,499,761	7.7%	2.44	2.65	1
31,053,600	TNK-BP Holding Pref	64,755,581	12.9%	2.09	2.44	1
19,730	Transneft Pref	19,991,119	4.0%	1,013.23	1,233.16	1
1,215,000	Tuimazy Concrete Mixers	2,758,050	0.6%	2.27	4.30	1
2,026,976	Ufa Refinery	2,847,901	0.6%	1.41	1.43	1
154,334	Varyoganneftegaz Pref	1,543,340	0.3%	10.00	19.50	1
	Financial Portfolio Investments, Total	**299,685,006**	**59.8%**			
	Other non current loan receivables	**200,000**	**0.0%**			4
	Grand Total	**501,611,782**	**100.0%**			

1. These investments are shown in the balance sheet as financial assets at fair value through profit or loss.
2. These investments are shown in the balance sheet as investments in associated companies.
3. These investments are shown in the balance sheet as current loan receivables.
4. These investments are shown in the balance sheet as non current loan receivables.
5. Private equity investment.
6. After a completed share split in Alrosa, Vostok Nafta's number of shares is 34,053,305.

Vostok Nafta's portfolio as at September 30, 2011

INFORMATION ON SIGNIFICANT HOLDINGS

TNK-BP Holding

TNK-BP is a leading Russian oil company and is among the top ten privately-owned oil companies in the world in terms of crude oil production. BP and the AAR consortium are the company shareholders on a parity basis. TNK-BP also owns about 50% of the Slavneft oil and gas company. TNK-BP accounts for about 16% of the Russian oil production (including TNK-BP's stake in Slavneft). The company's total proven reserves amounted to 13.07 billion barrels of oil equivalents as of December 31, 2010, compared to 11.67 billion barrels as of December 31, 2009. Vostok Nafta sees a superior production outlook due to earlier investments into promising fields. The company is highly cash generative, well managed and cost efficient thanks to a competent management team, with staff from TNK's Russian business and BP's global operations.

- During the first 9 months of 2011, oil and gas production continued to grow and reached 1,770 mboe/d excluding JVs, up 2.1% on 9M10, reaching a historic peak of 1,824 mboe/d on 03 September 2011.
- Revenues for 9M11 increased by 38% relative to 9M10 reflecting higher Urals price and production growth partly offset by the effect of higher domestic sales to avail of higher netbacks. 9M11 Net income amounted to USD 6.8 bn which is 75% up on the same period of 2010.
- Dividend payment for the 6 months of 2011 of RUR 3.41 per one ordinary and one preferred share has been approved, which results in a dividend yield of 4.1% and 4.7% respectively, leaving consensus expectations for the full year 2011 around 10%. The total dividend amount is 52.7 bn roubles.
- Deputy CEO Maxim Barskiy has decided to leave TNK-BP to carry on his professional career outside of the Company. Mikhail Fridman, head of the Alfa Group, will stay as CEO to 2013 when a BP nominee will replace him, Kommersant, the Russian daily has reported.

TNK-BP Holding	
Vostok Nafta's number of shares	
Ordinary	*15,760,237*
Preferred	*31,053,600*
Value Ordinary	*38,499,761*
Value Preferred	*64,755,581*
Total Value (USD)	**103,255,342**
Portfolio percentage weight	20.6%
Share of total shares outstanding	0.3%
Share development Jan 1–Sep 30, 2011	
Ordinary	*–7.8%*
Preferred	*–14.5%*
Share development Jul 1–Sep 30, 2011	
Ordinary	*–19.9%*
Preferred	*–22.8%*

During the third quarter 2011 Vostok Nafta has purchased 0 shares and sold 0 shares in TNK-BP Holding.

Black Earth Farming

Black Earth Farming (BEF) is a leading farming company, publicly listed in Stockholm and operating in Russia. BEF was among the first foreign financed companies to make substantial investments in Russian agricultural land to exploit the large untapped potential. Because of its early establishment, BEF has gained a strong market position in the Kursk, Tambov, Lipetsk and Voronezh regions, all located in the Black Earth area which holds some of the most fertile soils in the world. The company's main products are wheat, barley, corn, sunflowers and rapeseeds. By introducing modern agricultural farming practices there is a vast opportunity to significantly increase productivity in terms of crops yielded per hectare of land, thus increasing the land value. The registration of controlled land into full ownership continues successfully, with the majority of land now under fully registered free holds. As of June 30, 2011, total land under control amounted to 326,000 hectares and land in ownership amounted to 256,000 hectares. At the same time operating improvements are ongoing, with substantial long term potential for increased production and profitability.

- Net crop yields for winter wheat and spring barley amounted to 2.5 and 2.1 tons per hectare respectively, with 89% and 66% of respective area harvested. The total 2011 harvest area is expected at approximately 230, 000 hectares.
- A new operationally focused management team with key priorities outlined to lift future crop yield potential is in place. Fraser Scott was appointed COO and a new sales and marketing director is hired as well as several production directors.
- Second quarter sales volumes were down 31% y-o-y to 42.7 thousand tons compared to 62.2 in Q2 2010. G&A expenses continued to trend down by 4% y-o-y to USD 5.4 million in 2Q, of which the largest item, personnel costs were reduced by 16% to USD 3.2 million. Third quarter results will be released November 25, 2011.

Black Earth Farming	
Vostok Nafta's number of shares	30,888,704
Total Value (USD)	**77,925,707**
Portfolio percentage weight	15.5%
Share of total shares outstanding	24.8%
Share development Jan 1–Sep 30, 2011 (in USD)	–35.2%
Share development Jul 1–Sep 30, 2011 (in USD)	–34.2%

During the third quarter 2011 Vostok Nafta has purchased 0 shares and sold 0 shares in Black Earth Farming.

Alrosa

Alrosa is the world's largest producer of rough diamonds in terms of volume, slightly above De Beers' production of 33 million carats. The company estimates that the annual production will increase by 15% from current levels to reach 39.6 mln carats/year by 2018. The company, located in the Sakha Republic in eastern Russia, accounts for 96 percent of Russia's total diamond production, and approximately 25 percent of global diamond production. Together with De Beers, the two companies controls over 50 percent of the international diamond market. The largest shareholders are the Russian state and the regional government of Sakha, together controlling over 90% of the company.

In December 2010, the Russian government voted to convert Alrosa from a closed to an open joint stock company, which also allows the company's shares to trade freely on Russian exchanges. Expectations are that transparency and corporate governance will continue to improve and thus that the current discount to its peers will narrow and that an IPO will become reality towards the end of 2012 or during the early part of 2013. Economic growth is believed to be the main driver for diamond demand, with China, India and the Middle East as major factors in a demand upturn. As of the end of 2009, China became the second largest diamond consumer after the US and the Boston Consulting Group foresees China becoming the world's largest luxury market between 2014 and 2016. Alrosa's production of gem-quality diamonds, used primarily in its polished form in the jewellery industry, accounts for approximately 99% of Alrosa's sales revenue.

- In 1H 2011, Alrosa increased production to 19.3 mln carats, representing a 10% growth on 1H 2010.
- 1H 2011 revenue reached RUB 66 bn along with a significant improvement of profitability of operations. 73% of 1H 2011 diamond revenues were attributable to exports, while 27% to the domestic market.
- Total Debt / EBITDA has been reduced from 6.1x in 2009 and 2.9x as of 31 December 2010 to just 2.0x as of June 30, 2011.
- Alrosa diamond reserves reached 1.2 bn cts in 2010, which is sufficient to maintain the current production levels for the next 32 years. The company is currently conducting an audit of its reserves and resources in accordance with the JORC standards, which is expected to be completed in Q4 2011.

Alrosa	
Vostok Nafta's number of shares *	1,261
Total Value (USD)	**42,117,400**
Portfolio percentage weight	8.4%
Share of total shares outstanding	0.4%
Share development Jan 1–Sep 30, 2011 (in USD)	131.9%
Share development Jul 1–Sep 30, 2011 (in USD)	28.5%

During the third quarter 2011 Vostok Nafta has purchased 0 shares and sold 0 shares in Alrosa.

** After a completed share split in Alrosa, Vostok Nafta's number of shares is 34,053,305.*

Tinkoff Credit Systems

Tinkoff Credit Systems (TCS) is Russia's first and only dedicated credit card lending institution. Based in Moscow, TCS Bank issues credit cards to customers in all of Russia's regions. TCS's senior management consists of a team of experienced professionals formerly employed by Visa, McKinsey and several top Russian banks. The bank operates a branchless business model using online and direct mail as its main customer recruitment and distribution channels. On the servicing side, TCS's call centre is one of the leaders in Russia. The advanced underwriting process and customer acquisition by invitation only limits the risk of fraud and exposure to less desirable customers, thus reducing the credit risk. The low-cost business model is flexible with a proven ability to rapidly grow and effectively service the credit card portfolio. Russian consumer lending is expected to reach new heights due to lower costs of risk and higher consumer spending, and the company is singularly focused on issuing and servicing consumer credit cards. By combining a purpose-built platform with dedicated staff and IT systems, TCS can serve millions of customers. During 2003–07, the Russian credit card market doubled in size every year, thereafter halting during the 2008–09 crisis, it started growing again in 2010.

- During the first 9 months of 2011, revenue was up 146% to USD 235.8 million while net earnings amounted to USD 43 million.
- In 9M2011, Tinkoff Credit Systems credit card portfolio grew by 82% to USD 640 million.
- TCS credit card market share is about 5.5% in 2011
- TCS web-site generated multimillion unique visitors in first half of 2011 and the number is growing.

Tinkoff Credit Systems (TCS)	
Vostok Nafta's number of shares	1,006,513
Total Value (USD)	**47,398,508**
Portfolio percentage weight	9.5%
Share of total shares outstanding	15.8%
Value development Jan 1–Sep 30, 2011 (in USD)	9.1%
Value development Jul 1–Sep 30, 2011 (in USD)	10.5%

During the third quarter 2011 Vostok Nafta has sold 68,369 shares in Tinkoff Credit Systems.

Avito*

Avito enables individuals and businesses to buy and sell goods through classified ads over the internet, similar to Blocket in Sweden or Craigslist in the US. Avito is the fastest growing online trading platform in Russia and the number of monthly unique visitors continued to grow at a rapid pace during 2011. The company has obtained a leading position in terms of visitors and number of ads, distancing itself from its competitors. Once market dominance is achieved the business model has great potential in terms of profitability judging by the experience in other countries. Avito is already the leading brand and has the highest brand awareness in Moscow and St Petersburg, with the goal to achieve close to 100% in the long term. Compared to western countries, Russia has a very low proportion of internet users in relation to the total population. Although the growth rate is significant, the current internet penetration in Russia of about 42% is low in relative terms but very high in absolute terms. With about 60 million internet users Russia represents the second largest market in Europe. These figures can be compared to Sweden, which has an internet penetration of about 93% but only about 8.4 million users. The market for internet related services is expected to grow significantly in correlation with an increased internet penetration. Avito is in an extremely exciting phase with great future prospects. The valuation is based on a recent transaction.

- Avito.ru reached break-even in early 2011 (EBITDA, excluding marketing costs).

Avito*	
Vostok Nafta's number of shares	5,975,586
Total Value (USD)	**37,749,590**
Portfolio percentage weight	7.5%
Share of total shares outstanding	23.8%
Value development Jan 1–Sep 30, 2011 (in USD)	121.6%
Value development Jul 1–Sep 30, 2011 (in USD)	7.0%

During the third quarter 2011 Vostok Nafta has purchased 0 shares and sold 0 shares in Avito.

* *The shares in Avito are owned through the holding company Vosvik AB.*

Investments
During the third quarter gross investments in financial assets were USD 16.96 (0.06) mln and proceeds from sales were USD 29.68 (11.80) mln.

Major changes of securities in the portfolio during the third quarter were:

Purchases		Sales	
+ 75,000	Acron	– 68,369	Tinkoff Credit Systems
+3,408,294,872	Inter RAO	– 7,800,000	Ufa Oil Refinery

Group – results for the period and net asset value
During the period, the result from financial assets at fair value through profit or loss amounted to USD –53.53 (58.14) mln. The result from investments in associated companies was USD –57.84 (–22.71) mln. Result from loan receivables was USD 1.18 (7.28) mln. Dividend income, net of withholding tax expenses, was USD 18.46 (7.36) mln.

Net operating expenses (defined as other operating income less operating expenses) amounted to USD 3.48 (3.83) mln.

Net financial items were USD –0.87 (0.26) mln.

The net result for the period was USD –96.09 (46.44) mln.

Total shareholders' equity amounted to USD 529.26 mln on September 30, 2011 (December 31, 2010: 625.43).

Group – results for the quarter
During the quarter, the result from financial assets at fair value through profit or loss amounted to USD –75.50 (43.75) mln. The result from investments in associated companies was USD –58.43 (–1.33) mln. The result from loan receivables was USD –0.25 (3.52) mln. Dividend income, net of withholding tax expenses, was USD 5.98 (0.97) mln.

Net operating expenses (defined as other operating income less operating expenses) amounted to USD 1.04 (1.73) mln.

Net financial items were USD –1.18 (0.26) mln.

The net result for the quarter was USD –130.42 (45.44) mln.

Liquid assets
The liquid assets of the group, defined as cash and bank deposits adjusted for concluded but not yet settled share transactions, amounted to USD 26.10 mln on September 30, 2011 (December 31, 2010: 9.45).

Income statements – Group

(Expressed in USD thousands)	Jan 1, 2011– Sep 30, 2011	Jan 1, 2010– Sep 30, 2010	Jul 1, 2011– Sep 30, 2011	Jul 1, 2010– Sep 30, 2010
Result from financial assets at fair value through profit or loss 1	–53,533	58,144	–75,499	43,754
Result from investments in associated companies	–57,840	–22,710	–58,426	–1,330
Result from loan receivables 1	1,176	7,275	–251	3,523
Dividend income	21,697	8,648	7,014	1,136
Other operating income	223	371	87	39
Total operating income	**–88,278**	**51,728**	**–127,074**	**47,122**
Operating expenses	–3,700	–4,206	–1,129	–1,770
Dividend withholding tax expenses	–3,240	–1,292	–1,038	–170
Operating result	**–95,218**	**46,230**	**–129,241**	**45,181**
Financial income and expenses				
Interest income	80	5	35	3
Interest expense	–	–7	–	–
Currency exchange gains/losses, net	–983	181	–1,221	258
Other financial income	37	83	5	0
Net financial items	**–867**	**263**	**–1,181**	**260**
Result before tax	**–96,085**	**46,493**	**–130,422**	**45,442**
Taxation	–2	–51	–	3
Net result for the financial period	**–96,087**	**46,442**	**–130,422**	**45,445**
Earnings per share (in USD)	neg.	0.46	neg.	0.45
Diluted earnings per share (in USD)	neg.	0.46	neg.	0.45

1. Interest on loan receivables which are considered parts of the investment portfolio is presented in the income statement as 'Result from loan receivables' among operating income items. Interest on other loans and receivables is presented in the income statement as 'Interest income' among financial items. Realized and unrealized exchange gains/losses on loan receivables which are considered parts of the investment portfolio are presented in the income statement as 'Result from loan receivables'. Financial assets at fair value through profit or loss (including listed bonds) are carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Result from financial assets at fair value through profit or loss' in the period in which they arise.

Statement of comprehensive income

(Expressed in USD thousands)	Jan 1, 2011– Sep 30, 2011	Jan 1, 2010– Sep 30, 2010	Jul 1, 2011– Sep 30, 2011	Jul 1, 2010– Sep 30, 2010
Net result for the financial period	**–96,087**	**46,442**	**–130,422**	**45,445**
Other comprehensive income for the period				
Currency translation differences	–91	72	–249	11
Total other comprehensive income for the period	**–91**	**72**	**–249**	**11**
Total comprehensive income for the period	**–96,178**	**46,514**	**–130,671**	**45,456**

Total comprehensive income for the periods above is entirely attributable to the equity holders of the parent company.

Balance sheets – Group

(Expressed in USD thousands)	Sep 30, 2011	Dec 31, 2010
NON CURRENT ASSETS		
Tangible non current assets		
Property, plant and equipment	49	133
Investment property	543	543
Total tangible non current assets	592	675
Financial non current assets		
Financial assets at fair value through profit or loss	347,084	401,547
Investment in associated companies	150,532	199,272
Loan receivables	200	4,902
Deferred tax asset	56	61
Total financial non current assets	497,872	605,783
CURRENT ASSETS		
Cash and cash equivalents	26,104	9,448
Loan receivables	3,796	9,283
Tax receivables	393	186
Other current receivables	1,360	1,789
Total current assets	31,653	20,706
TOTAL ASSETS	530,117	627,164
SHAREHOLDERS' EQUITY (including net result for the financial period)	529,264	625,430
CURRENT LIABILITIES		
Non-interest bearing current liabilities		
Liabilities to related parties	–	200
Tax payables	504	504
Unsettled trades	–	406
Other current liabilities	150	110
Accrued expenses	199	513
Total current liabilities	852	1,733
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	530,117	627,164

Statement of Changes in Equity – Group

(Expressed in USD thousands)	Share Capital	Additional paid in capital	Other reserves	Retained earnings	Total
Balance at January 1, 2010	100,991	191,700	–42	194,975	487,624
Net result for the period					
January 1, 2010 to September 30, 2010	–	–	–	46,442	46,442
Other comprehensive income for the period					
Currency translation differences	–	–	72	–	72
Total comprehensive income for the period January 1, 2010 to September 30, 2010	–	–	72	46,442	46,514
Transactions with owners:					
Employees share option scheme:					
– value of employee services	–	328	–	–	328
	–	328	–	–	328
Balance at September 30, 2010	100,991	192,028	30	241,417	534,466
Balance at January 1, 2011	100,991	192,029	–924	333,334	625,430
Net result for the period					
January 1, 2011 to September 30, 2011	–	–	–	–96,087	–96,087
Other comprehensive income for the period					
Currency translation differences	–	–	–91	–	–91
Total comprehensive income for the period January 1, 2011 to September 30, 2011	–	–	–91	–96,087	–96,178
Transactions with owners:					
Employees share option scheme:					
– value of employee services	–	12	–	–	12
	–	12	–	–	12
Balance at September 30, 2011	100,991	192,041	–1,015	237,247	529,264

Cash flow statements – Group

(Expressed in USD thousands)	Jan 1, 2011– Sep 30, 2011	Jan 1, 2010– Sep 30, 2010	Jan 1, 2010– Dec 31, 2010
OPERATING ACTIVITES			
Result before tax	–96,085	46,493	138,458
Adjustment for:			
Interest income	–80	–5	–16
Interest expenses	–	7	7
Currency exchange gains/-losses	983	–181	–682
Depreciations and write downs	88	88	1,292
Result from financial assets at fair value through profit or loss	53,533	–58,144	–106,665
Result from investments in associated companies	57,840	22,710	–20,422
Result from loan receivables	–1,176	–7,275	–8,005
Dividend income	–21,697	–8,648	–10,653
Other non-cash items	–6	2	3
Change in current receivables	211	443	510
Change in current liabilities	–904	–83	411
Net cash used in operating activities	**–7,292**	**–4,594**	**–5,762**
Investments in financial assets	–67,946	–75,297	–113,672
Sales of financial assets	59,777	80,799	88,572
Increase/decrease in loan receivables	11,346	57	17,615
Dividend received	21,697	8,648	10,653
Interest received	80	1,992	2,003
Interest paid	–	–7	–7
Tax paid	–57	–68	–115
Net cash flow from/used in operating activities	**17,605**	**11,530**	**–714**
INVESTING ACTIVITIES			
Investments in office equipment	–	–21	–24
Net cash flow used in investing activities	**–**	**–21**	**–24**
FINANCING ACTIVITIES			
Proceeds from issue of warrants	10	326	326
Net cash flow from financing activities	**10**	**326**	**326**
Change in cash and cash equivalents	17,615	11,835	–411
Cash and cash equivalents at beginning of the period	9,448	8,935	8,935
Exchange gains/losses on cash and cash equivalents	–959	320	924
Cash and cash equivalents at end of period	**26,104**	**21,090**	**9,448**

Key financial ratios – Group

	9m 2011	9m 2010
Return on capital employed, % 1	–16.64	9.09
Equity ratio, % 2	99.84	99.79
Shareholders' equity/share, USD 3	5.24	5.29
Earnings/share, USD 4	neg.	0.46
Diluted earnings/share, USD 5	neg.	0.46
Net asset value/share, USD 6	5.24	5.29
Weighted average number of shares for the financial period	100,990,975	100,990,975
Weighted average number of shares for the financial period (fully diluted)	101,975,975	100,990,975
Number of shares at balance sheet date	100,990,975	100,990,975

1. Return on capital employed is defined as the Group's result for the period plus interest expenses plus/less exchange differences on financial loans divided by the average capital employed (the average total assets less non-interest bearing liabilities over the period). Return on capital employed is not annualised.
2. Equity ratio is defined as shareholders' equity in relation to total assets.
3. Shareholders' equity/share is defined as shareholders' equity divided by total number of shares.
4. Earnings/share is defined as result for the period divided by average weighted number of shares for the period.
5. Diluted earnings/share is defined as result for the period divided by average weighted number of shares for the period calculated on a fully diluted basis.
6. Net asset value/share is defined as shareholders' equity divided by total number of shares.

(Expressed in USD thousands)	Jan 1, 2011– Sep 30, 2011	Jan 1, 2010– Sep 30, 2010	Jul 1, 2011– Sep 30, 2011	Jul 1, 2010– Sep 30, 2010
Operating expenses	–3,329	–3,845	–1,052	–1,755
Operating result	–3,329	–3,845	–1,052	–1,755
Financial income and expenses				
Interest income	12,089	18,358	4,120	6,314
Currency exchange gains/losses, net	116	–29	60	–60
Net financial items	12,205	18,330	4,180	6,255
Net result for the financial period	8,876	14,484	3,128	4,499

(Expressed in USD thousands)	Jan 1, 2011– Sep 30, 2011	Jan 1, 2010– Sep 30, 2010	Jul 1, 2011– Sep 30, 2011	Jul 1, 2010– Sep 30, 2010
Net result for the financial period	8,876	14,484	3,128	4,499
Other comprehensive income for the period				
Currency translation differences	–	–	–	–
Total other comprehensive income for the period	–	–	–	–
Total comprehensive income for the period	8,876	14,484	3,128	4,499

Income statement – Parent

Statement of comprehensive income

Balance sheet – Parent

(Expressed in USD thousands)	Sep 30, 2011	Dec 31, 2010
NON CURRENT ASSETS		
Financial non current assets		
Shares in subsidiaries	246,591	246,591
Receivables from Group companies	270,934	261,302
Total financial non current assets	517,525	507,893
CURRENT ASSETS		
Cash and cash equivalents	94	39
Other current receivables	7	183
Total current assets	101	222
TOTAL ASSETS	517,626	508,115
SHAREHOLDERS' EQUITY (including net result for the financial period)	516,060	507,172
CURRENT LIABILITIES		
Non-interest bearing current liabilities		
Liabilities to group companies	1,463	619
Other current liabilities	9	54
Accrued expenses	95	270
Total current liabilities	1,566	943
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	517,626	508,115

Statement of Changes in Equity – Parent

(Expressed in USD thousands)	Share Capital	Additional paid in capital	Retained earnings	Total
Balance at January 1, 2010	100,991	191,700	194,713	487,404
Net result for the period				
January 1, 2010 to September 30, 2010	–	–	14,484	14,484
Other comprehensive income for the period				
Currency translation differences	–	–	–	–
Total comprehensive income for the period January 1, 2010 to September 30, 2010	–	–	14,484	14,484
Transactions with owners:				
Employees share option scheme:				
– value of employee services	–	328	–	328
	–	328	–	328
Balance at September 30, 2010	100,991	192,028	209,197	502,217
Balance at January 1, 2011	100,991	192,029	214,152	507,172
Net result for the period				
January 1, 2011 to September 30, 2011	–	–	8,876	8,876
Other comprehensive income for the period				
Currency translation differences	–	–	–	–
Total comprehensive income for the period January 1, 2011 to September 30, 2011	–	–	8,876	8,876
Transactions with owners:				
Employees share option scheme:				
– value of employee services	–	12	–	12
	–	12	–	12
Balance at September 30, 2011	100,991	192,041	223,028	516,060

Note 1 Accounting principles

This consolidated interim report is prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting principles and methods of calculations have been applied for the Group as for the preparations of the consolidated accounts for Vostok Nafta Investment Ltd 2010.

Note 2 Related party transactions

During the period Vostok Nafta has recognized the following related party transactions:

USD thousand	2011				2010			
	Vostok Gas	Associated companies	Lundin family and group of companies	Key management	Vostok Gas	Associated companies	Lundin family and group of companies	Key management
Items of the income statement								
Income from loan receivables	–	262 [1]	–	–	–	552	–	–
Other operating income	–	29 [2]	169 [2]	–	–	12	80	–
Operating expenses	–	–	–282 [3]	–856 [4]	–	–	–150	–792
Interest expenses	–	–	–	–	–	–	–	–
Balance sheet items								
Non current loan receivables	–	–	–	–	–	4,652	–	–
Current loan receivables	–	3,796 [1]	–	–	–	12,265	–	–
Other current receivables	–	–	–	–	2	–	23	–
Retained earnings	–	–	–	–12	–	–	–	–296
Other current liabilities and accrued expenses	–	–12 [2]	–9 [2]	–91 [4]	–200	–	–	–94

1) Loans to associated companies

Vostok Nafta has an outstanding short-term loan receivable from Clean Tech East Holding AB, which was recognized at a book value of USD 3.80 mln as per September 30, 2011. In the Income Statement for the period ended September 30, 2011 Vostok Nafta has recognised interest income in the amount of USD 0.22 mln from Clean Tech East Holding AB and USD 0.04 mln from RusForest AB. RusForest AB has fully repaid its loan during the second quarter.

2) Other operating income from associated companies and Lundin companies and other current receivables/liabilities

Vostok Nafta has an office rental agreement with RusForest AB, Lundin Mining AB and Clean Tech East Holding AB. Vostok Nafta provides head office facilities service to Lundin Petroleum AB and Investor Relations and Corporate Communication services to Lundin Mining Corporation, Africa Oil Corporation, Etrion Corporation, ShaMaran Petroleum Corp. and Lucara Diamond Corp.

3) Operating expenses: Lundin companies

Vostok Nafta buys management and Investor Relations services regarding relations with the stock and financial markets from Namdo Management. The fee amounts to USD 15,000 per month. In July 2011 Vostok Nafta bought extra management services in the amount of USD 62,171. Vostok Nafta paid USD 84,359 to Mile High Holdings Ltd in respect of aviation services received.

4) Operating expenses: Key management

Key management includes members of the Board of Directors and members of the management of Vostok Nafta. The compensation paid or payable includes salary and bonuses to the management and remuneration to the Board members.

Background

Vostok Nafta Investment Ltd was incorporated in Bermuda on April 5, 2007 with corporate identity number 39861. Since July 4, 2007, the Swedish Depository Receipts of Vostok Nafta (SDB) are listed on the NASDAQ OMX Nordic Exchange Stockholm, Mid Cap segment, with the ticker VNIL SDB.

As at September 30, 2011 the Vostok Nafta Investment Ltd Group consists of the Bermudian parent company, one wholly owned Bermudian subsidiary, four wholly owned Cypriot subsidiaries, four wholly owned Russian subsidiaries and one wholly owned Swedish subsidiary.

The financial year is January 1–December 31.

Parent company

The parent company finances the Cypriot subsidiaries' operations on market terms. The net result for the period was USD 8.88 (14.48) mln.

Financial and Operating risks

The Company's risks and risk management are described in detail in note 3 of the Company's Annual Report 2010.

Upcoming Reporting Dates

Vostok Nafta's twelve months report for the period January 1, 2011–December 31, 2011 will be published on February 15, 2012.

November 16, 2011

Per Brilioth
Managing Director
Vostok Nafta Investment Ltd

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying balance sheets of Vostok Nafta Investment Ltd for the group and the parent company as of September 30, 2011 and the related statements of income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects in accordance with IAS 34.

Gothenburg, November 16, 2011

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